

EXHIBIT N

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.,

Debtors.¹

PROMESA

Title III

Case No. 17-bk-03283 (LTS)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE
COMMONWEALTH OF PUERTO RICO,

Debtor.

PROMESA

Title III

Re: ECF No. 289

Case No. 17-cv-01685 (LTS)

Case No. 17-bk-03566 (LTS)

**REBUTTAL DECLARATION OF GAURAV MALHOTRA IN RESPONSE TO EXPERT
REPORT OF FATEN SABRY IN CONNECTION WITH
MOTION FOR RELIEF FROM THE AUTOMATIC STAY**

I, Gaurav Malhotra, hereby declare under penalty of perjury:

1. I have been asked by counsel for the Oversight Board to review and respond to certain aspects of the expert report submitted by Faten Sabry, Ph.D. ("Sabry") on behalf of the pension

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).



obligation bondholders in the litigation of the *Motion of Certain Secured Creditors of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico for Relief from the Automatic Stay*.

2. Certain responses below elaborate on research reported in my first expert declaration, submitted May 30, 2019, as well as correct one typographical error in that declaration.

**I. PAYGO FEES ARE SUFFICIENT TO SATISFY THE PROJECTED
AMORTIZATION OF ALLEGED BOND CLAIM**

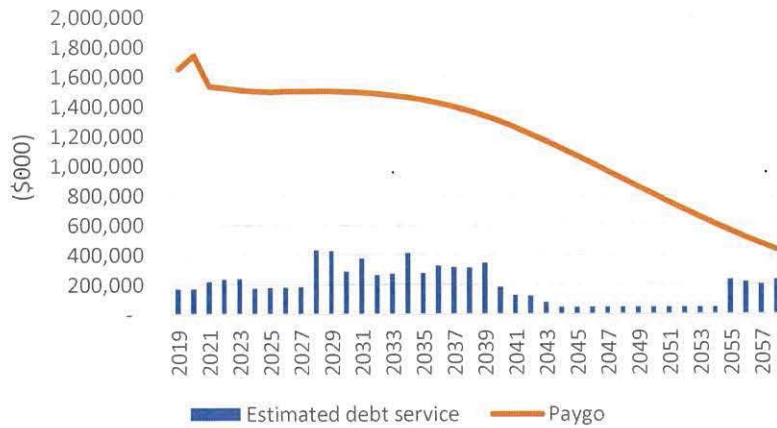
3. While Sabry outlines a calculation approach to identify that PayGo payments will decline by 72 percent over the remaining life of the bonds, no context is provided regarding the starting level of PayGo costs. An important aspect to consider is the relative magnitude of the currently expected PayGo costs to the estimated amount of the bondholders' claim. In addition, the timeframe over which this decline is expected to take place is lengthy. See Exhibit B for year-by-year detail related to the following nominal and net present value ("NPV") amounts as previously provided:

Employer (\$ in billions)	PayGo – Nominal (FY19-FY58)	PayGo – NPV @ 3.58%	PayGo – NPV @ 3.79%
ERS Total	\$47.7	\$26.9	\$26.2

4. Based on these PayGo projections, I have the following findings:

- a. Nominal PayGo costs in each of the first 10 years, at a projected level of \$1.5 billion or higher, represent on an annual basis, more than 1/3 of the total estimated bondholder claim.
- b. Exhibit A demonstrates that PayGo costs for each year exceed the amount of debt service that would be scheduled to be paid for that year through 2058.

Exhibit A: Projected ERS debt service and paygo costs



- c. While the PayGo costs do in fact decline over time, they are projected to remain at a level which is at least 80% of current levels for over 20 years on a nominal basis and then gradually decline to levels such as those described by Sabry in her report, reaching approximately 1/4 of 2019 levels only at the end of a 40-year projection period.

5. Based on the statement by the bondholders that the amount of the bond claim represents \$3.8 billion, I compared this amount to the net present value of future PayGo costs over varying timeframes. See Exhibit B for this comparison which identifies that the ratio remains above 120% (\$4.56 billion) until 2043 for all ERS PayGo costs.

6. There is a typographical error in the last sentence of paragraph 16 of my May 30, 2019 declaration. The sentence should read as follows: "Further analysis utilizing a more recent discount rate for the referenced Bond Buyer 20-Bond Municipal Bond Index rate as of March 31, 2019 of 3.79% results in a NPV of **\$26.2** billion for the 40 years of annual PayGo Projections." In the original paragraph, the number \$26.9 billion was mistakenly included.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: June 12, 2019

A handwritten signature in blue ink, reading "Gaurav Malhotra", is written above a horizontal line.

Gaurav Malhotra

EXHIBIT B

Year-by-year PayGo costs (\$000's)* for all entities that had participated in ERS based on May 9, 2019 fiscal plan

Fiscal Year End	Total ERS Annual Projected PayGo Costs	Present Value at 3.58%	Present Value at 3.79%	Present value of future PayGo costs at 3.58% as a % of the \$3.8 billion claim	Fiscal Year end	Total ERS Annual Projected PayGo Costs	Present Value at 3.58%	Present Value at 3.79%	Present value of future PayGo costs at 3.58%	Present value of future PayGo costs at 3.58% as a % of the \$3.8 billion claim
6/30/2019	\$1,648,080	\$1,536,124	\$1,529,914	709%	6/30/2040	\$1,295,688	\$576,972	\$550,711	\$5,730,503	151%
6/30/2020	1,740,659	1,566,340	1,556,852	669%	6/30/2041	1,255,114	539,587	513,986	5,153,531	136%
6/30/2021	1,533,960	1,332,633	1,321,880	627%	6/30/2042	1,210,578	502,453	477,645	4,613,944	121%
6/30/2022	1,521,023	1,275,723	1,262,869	592%	6/30/2043	1,163,518	466,229	442,313	4,111,491	108%
6/30/2023	1,508,970	1,221,870	1,207,112	559%	6/30/2044	1,115,454	431,521	408,557	3,645,262	96%
6/30/2024	1,499,803	1,172,473	1,155,968	527%	6/30/2045	1,064,683	397,644	375,721	3,213,741	85%
6/30/2025	1,494,132	1,127,669	1,109,545	496%	6/30/2046	1,013,463	365,432	344,586	2,816,097	74%
6/30/2026	1,500,611	1,093,415	1,073,664	466%	6/30/2047	961,718	334,788	315,052	2,450,665	64%
6/30/2027	1,502,289	1,056,804	1,035,615	437%	6/30/2048	909,846	305,784	287,175	2,115,877	56%
6/30/2028	1,501,248	1,019,571	997,107	409%	6/30/2049	857,039	278,081	260,630	1,810,093	48%
6/30/2029	1,500,146	983,610	959,992	383%	6/30/2050	805,465	252,314	236,001	1,532,012	40%
6/30/2030	1,495,996	946,986	922,378	357%	6/30/2051	753,682	227,933	212,765	1,279,698	34%
6/30/2031	1,490,420	910,848	885,383	332%	6/30/2052	702,553	205,127	191,089	1,051,765	28%
6/30/2032	1,482,897	874,928	848,747	308%	6/30/2053	653,853	184,309	171,349	846,638	22%
6/30/2033	1,471,788	838,360	811,628	285%	6/30/2054	606,252	164,985	153,073	662,329	17%
6/30/2034	1,457,493	801,523	774,395	263%	6/30/2055	560,477	147,243	136,336	497,344	13%
6/30/2035	1,441,255	765,199	737,805	242%	6/30/2056	516,702	131,063	121,109	350,101	9%
6/30/2036	1,420,518	728,123	700,635	222%	6/30/2057	474,682	116,243	107,197	219,038	6%
6/30/2037	1,395,737	690,693	663,274	202%	6/30/2058	434,793	102,795	94,603	102,795	3%
6/30/2038	1,367,570	653,364	626,158	184%						
6/30/2039	1,333,596	615,112	588,306	167%						
					Total	\$47,663,701	\$26,941,871	\$26,169,125		

* As table is in \$000's, small rounding differences may exist

EXHIBIT C

Materials considered

- 1) Puerto Rico Government Employees Retirement System June 30, 2017 Actuarial Valuation Report
- 2) Puerto Rico Government Employees Retirement System June 30, 2016 Actuarial Valuation Report
- 3) Milliman letter re: PRGERS Estimated Projected Benefit Payments reflecting Act 106-2017 – CONFIDENTIAL, dated December 8, 2017
- 4) Milliman letter re: PRGERS Estimated Projected Benefit Payments reflecting Act 106-2017 – Agencies Covered by the Fiscal Plan Only -- revised - CONFIDENTIAL, dated December 21, 2017
- 5) Milliman letter re: PRGERS Estimated Benefit Projection Payments, dated April 4, 2019
- 6) Milliman ERS census data, PRGERS_July12016ParticipantData_forJune302017Valuation_forEY
- 7) 2015 ERS Active census from PTA
- 8) 2015 Inactive census from PTA
- 9) Commonwealth of Puerto Rico Certified Fiscal Plan, dated May 9, 2019
- 10) Commonwealth of Puerto Rico Certified Fiscal Plan, dated October 28, 2018
- 11) Explanatory memorandum on pension reform, dated August 4, 2017
- 12) Mortality Improvement Scale MP-2018
- 13) 20 Year AA Municipal Bond Quarterly Rates
- 14) Bond Buyer 20-year monthly index of FRB_H15
- 15) PR Pension Bonds 2008 Series A OS
- 16) PR Pension Bonds 2008 Series B OS
- 17) PR Pension Bonds 2008 Series C OS
- 18) From praval export.xls